Cabinet Office

Short money allocations

Request for views

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About this document

This document is seeking views from members of the Parliamentary Parties Panel, the other political parties and individuals which were elected to seats in the House of Commons in the 2015 general election, and the Clerk of the House.

We would be grateful for written submissions by 7 March 2016.

Please send responses by email to: short.money.review@cabinetoffice.gov.uk or by post to: Short Money Review, Cabinet Office, 70 Whitehall, London, SW1A 2AS.

The Government is also open to further oral discussions as part of the request for views process.

Introduction

Short money is taxpayer funding of opposition parties in the House of Commons to assist with Parliamentary business. The current scheme is laid out in Annex 1. It is not a general scheme of state funding for political parties.

At the Spending Review and Autumn Statement, the Government said that, subject to confirmation by Parliament (which would be by means of a resolution of the House of Commons), Short money allocations would be reduced by 19 per cent, in line with the average savings asked of non-protected Whitehall departments over this Spending Review. Allocations would then be frozen in cash terms for the rest of the Parliament, removing the automatic RPI indexation.

The Government now wishes to take the opportunity to seek the views of the political parties in the House of Commons on how these Short money savings should be implemented.

Rationale for savings

The Government has taken a series of steps to reduce the cost of politics, including cutting and freezing ministerial pay, abolishing pensions for councillors in England and reducing the size of the House of Commons.

In the last Parliament, Ministers ruled out increases in state funding of political parties due to the need to tackle the inherited deficit. This Government believes that this should remain the position.

Yet, contrary to this stated policy position, in the last five years, taxpayer-funded Short money has actually risen year-on-year from £6.3 million in 2010-11 to £9.5 million in 2015-16, an increase of 50 per cent. Based on Office for Budget Responsibility forecasts, the cost of Short money by the end of this Parliament will further rise to almost £11 million a year, an increase of 68 per cent since 2010-11. These increases were not explicitly planned.There is no fixed pot of funding for Short money. The rises are due to the automatic RPI indexation and due to the formula being linked to the absolute number of votes cast; higher election turnout has increased the cost to taxpayers.

Annex 2 illustrates these past and future increases in Short money.

By contrast, with savings:

- A 19 per cent reduction will take Short money back to just above 2014-15 levels.
- Even with these changes, by the end of this Parliament, Short money will be still unchanged in real terms (under CPI) compared to 2010-11.
- Alongside the Policy Development Grant savings, this will save £11 million of taxpayers' money over this Parliament.
- Opposition parties will still receive more Short money than they did in 2010. With a uniform reduction, Her Majesty's Official Opposition (the Labour Party) will still receive more funding than the Official Opposition (the Conservative Party) did in 2009-10.
- The cost of special advisers will remain less than the total cost of taxpayer funding to opposition parties (Short money, Cranborne money and Policy Development Grant).

The default position is thus for an increase in taxpayer funding over the next four years, on top of the rises over the last five. This Government does not believe a case has been made for such increases, which contradicts the policy position against more taxpayer funding made in the last Parliament. It would be unfair if the public sector is required to make continued savings over this Parliament, while political parties received an ever-increasing level of taxpayer funding.

Both the Civil Service and local councils of all political colours have illustrated in recent years that there is scope to deliver savings through greater efficiency, embracing transparency and cutting waste.

There is no reason why taxpayer-funded political parties cannot also make efficiencies, whilst still ensuring robust and effective Parliamentary scrutiny. Funding will still be higher than in 2014-15 in cash terms and there will have been no adverse change in real terms since 2010-11.

Questions

Question 1: Uniform or tiered reductions

The savings could be delivered by a uniform percentage change to each of the elements that make up the Short money formula. Alternatively, these changes are an opportunity to make reforms and improvements to the overall scheme, within the set financial envelope. The latter approach would result in different parties having different changes to their allocations.

Q1: Should the savings be delivered through a uniform percentage reduction, or through broader reforms to the method of allocation?

Question 2: Benchmark for savings

A 19 per cent reduction would be in line with savings being asked of non-protected departments over this Spending Review. There may be a case for different benchmark to calculate the savings. For example, the Short money allocations could be scaled back to 2014-15 levels (which would be a 23 per cent reduction). Alternatively, Short money could be made a fixed sum, as with Policy Development Grant, and the formula would divide up that fixed pot between the opposition parties.

Q2: Is the 19 per cent the right benchmark to calculate the savings?

Question 3: Weighting given to MP representation

If there is a case for broader reforms, careful consideration should be given to the underlying purpose of Short money. Short money is funding to assist an opposition party in carrying out its Parliamentary business. Expenses must be incurred exclusively in relation to that party's Parliamentary business.[1]

The current Short money formula is based on both the totality of votes cast at the general election *and* the total number of Commons seats won by an opposition party, along with an additional top-up for the Official Opposition (Annex 1 illustrates this in more detail). A case can be made that the weighting for MP representation in that formula should be greater, given the fundamental purpose of Short money is for Parliamentary representation. If Short money is for Parliamentary business, it can be argued that opposition parties with more MPs should receive more funding to assist their work in Parliament.

Savings could be delivered by reducing the unit funding per votes cast and/or offset by an increase to the unit funding for the absolute number of MPs. This would also help make the total Short money fiscal envelope more stable and less likely to fluctuate from Parliament to Parliament.

Q3: Should greater weighting be given in the formula to the number of MPs that an opposition political party has, and less to the weighting for votes cast?

[1] The current Short money resolution can be found in Members Estimate Committee, *Consolidated list of provisions of the Resolutions of the House relating to expenditure charged to the Estimate for House of Commons: Members as at 16 March 2015*, March 2015, HC 1132, 2014-15.

Question 4: Funding floor for the smallest parties

There is significant variation in the funding that the smallest parties are entitled to receive.[2] A party with a very small allocation may find it harder to make efficiency savings than those with larger budget. To prevent a 19 per cent saving hitting the smallest parties disproportionately, there could be an absolute minimum funding 'floor' for any party eligible for Short money. Such a floor could be linked to the IPSA salary bands for Parliamentary staff, so the minimum funding level rose in line each year with the cost of staff.

Q4: Should there be a minimum funding floor for opposition parties which are eligible for Short money?

Question 5: Inflation uprating

It is proposed that automatic RPI inflation will end. More broadly, the Government has moved from RPI to CPI indexation in other areas of policy, as it better reflects the inflation that people experience and is less volatile.

Together with the 19 per cent saving, at the end of this Parliament, Short money would be unchanged in real terms compared to 2010-11 (based on the CPI measure). This would then provide an opportunity to recommence indexation, to provide certainty to political parties at the beginning of the next Parliament.

Q5: Should the Short money resolution provide for the commencement of automatic indexation at the end of this Parliament? Should this be the CPI measure?

Question 6: Greater transparency

Short money recipients are not obliged to publish audited accounts – merely show a certificate of audit to the Commons authorities. Given the Government's broader transparency agenda, which includes local and central government being asked to publish details of their spending, there is a case for greater openness on how Short money is spent.

Political parties could provide more information to the Commons authorities, who would then publish it on the parliament.uk website. This could be the set of audited accounts, or more detailed datasets. Such reporting could commence from the 2015-16 financial year – with the first accounts to be published in Summer 2016, to illustrate the scope for efficiency savings.

Q6: Should there be greater transparency on the spending of Short money? What information should be published?

Question 7: Grace period

Rather than the savings commence immediately from April 2016, the Short money resolution could provide that savings should commence slightly later. Equally, the Government is mindful of the broader objective to deliver savings. For example, if the saving were to commence from the second quarter of 2016-17, this would give political parties three months' space to implement efficiency savings.

Q7: Should there be a grace period? When should the savings commence?

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[2] The current full-year equivalent funding which parties can claim is: UUP (2 seats) £54,515; SDLP (3 seats) £69,248; Plaid Cymru (3 seats) £83,399; Green (1 seat) £217,597; UKIP (1 seat) £688,756.

Question 8: Representative money

Sinn Fein receive funding using the same Short money formula, but as a separate grant – known as Representative money. When amending the Short money resolution, the Government is minded that savings should also be made to this taxpayer-funded grant through a parallel change to the Representative money resolution.

Q8: What savings should be made to Representative money?

Annex 1: Current formula

Short money is made available to all opposition parties in the House of Commons that secured either two seats, or one seat and more than 150,000 votes, at the previous general election.

The current Short money scheme has three components:

1. Funding to assist an opposition party in carrying out its Parliamentary business. The amount available is determined by the number of seats and votes won by a party at the previous general election. In 2015-16, this is £16,956 for every seat won plus £33.86 for every 200 votes.
2. Funding for the opposition parties' travel and associated expenses. The amount available is apportioned between qualifying parties in the same proportion as general funding. In 2015-16, the total pot is £186,269.
3. Funding for the running costs of the Leader of the Opposition's office. A fixed annual budget is available. In 2015-16, this is £789,979.

All the elements are automatically uprated annually in line in with Retail Price Index (RPI) inflation.

Annex 2: Changes in Short money

The table below illustrates the changes to Short money since 2010-11, and the forecast increases if the current scheme is continued. It also shows the revised total from implementing the Autumn Statement proposals.

SHORT MONEY (CURRENT SCHEME)					PROPOSED SAVINGS
		Total	*% rise on yr*	*% cumulative rise*	
	2010-11	**£6,322,149**			
	2011-12	£6,537,990	3.4%	3.4%	
	2012-13	£6,851,719	4.8%	8.4%	
	2013-14	£7,064,324	3.1%	11.7%	
	2014-15	£7,254,744	2.7%	14.8%	
	2015-16	£9,489,484	30.8%	50.1%	
Forecast	2016-17	£9,707,742	2.3%	53.6%	£7,686,482
Forecast	2017-18	£9,998,974	3.0%	58.2%	£7,686,482
Forecast	2018-19	£10,318,942	3.2%	63.2%	£7,686,482
Forecast	2019-20	**£10,649,148**	3.2%	68.4%	**£7,686,482**

Not including Representative money.

RPI forecast from OBR estimates.

2015-16 figure is annualised equivalent, on which future years will be based and on which 19% reduction is based (£9.3 million in actual terms given pre- and post-election schemes).

By comparison, in 2009-10, the Conservative Party received £4.8 million out of a £6.9 million pot.

The table below shows spending under the current Short money scheme, compared to what the total spending would have been had it only increased by CPI since 2010-11.

It illustrates that even with 19 per cent reduction and a cash terms freeze for the rest of this Parliament as outlined in the Autumn Statement, Short money would be essentially unchanged in real terms (under CPI) compared to 2010-11.

		CURRENT SCHEME	IF CPI ONLY
	2010-11	£6,322,149	-
	2011-12	£6,537,990	£6,595,266
	2012-13	£6,851,719	£6,770,041
	2013-14	£7,064,324	£6,925,752
	2014-15	£7,254,744	£6,997,780
	2015-16	£9,489,484	£7,013,875
Forecast	2016-17	£9,707,742	£7,102,249
Forecast	2017-18	£9,998,974	£7,229,380
Forecast	2018-19	£10,318,942	£7,368,184
Forecast	2019-20	**£10,649,148**	**£7,514,074**

Not including Representative money.

CPI forecast from OBR estimates.

2015-16 figure is annualised equivalent, on which future years will be based.